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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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February 28, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENT OF PUBLIC WORKS:
MARTIN LUTHER KING, JR.
MULTI-SERVICE AMBULATORY CARE CENTER
APPROVE EQUIPMENT ACQUISITION PLAN,
REVISED BUDGET, AND CHANGE ORDER
SPECS. 7056; CAPITAL PROJECT NO. 70947
(SECOND DISTRICT) (4 VOTES)**

SUBJECT

The recommended actions will approve the Equipment Acquisition Plan and revise the Project budget for the Martin Luther King, Jr. Multi-Service Ambulatory Care Center, authorize the Department of Public Works to execute a change order with McCarthy Building Companies to procure and install fixed and major medical equipment, and authorize the Internal Services Department to purchase the remaining fixed medical equipment for the Project.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the Equipment Acquisition Plan for the Martin Luther King, Jr. Multi-Service Ambulatory Care Center Project.
2. Approve the revised Project budget of \$167,086,000 for the Martin Luther King, Jr. Multi-Service Ambulatory Care Center Project.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
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MICHAEL D. ANTONOVICH
Fifth District

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3. Approve and authorize the Director of Public Works to execute a change order with McCarthy Building Companies to add an allowance into the contract for a not-to-exceed amount of \$8,700,000 to furnish and install fixed equipment for the Martin Luther King, Jr. Multi-Service Ambulatory Care Center Project, and authorize the Director of Public Work to reallocate all or a portion of such allowance into the contract sum with McCarthy Building Companies.
4. Authorize the Internal Services Department, as the County's Purchasing Agent, to proceed with the acquisition of fixed medical equipment and related installation services, within the Board-approved equipment budget of \$8,005,000 in support of the Martin Luther King, Jr. Multi-Service Ambulatory Care Center Project.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will approve the Equipment Acquisition Plan and increase the Project budget for the Martin Luther King, Jr. (MLK) Multi-Service Ambulatory Care Center (MACC) Project by \$16,800,000, from \$150,286,000 to a revised total amount of \$167,086,000, and will provide for the procurement of fixed and major medical equipment by the Project contractor, McCarthy Building Companies (McCarthy), and the Internal Services Department (ISD).

Background

On October 11, 2011, your Board awarded a design-build agreement to McCarthy and approved the revised Project budget of \$150,286,000 for the MLK MACC Project. We advised your Board, at that time, that the Department of Health Services (Health Services) in concert with Chief Executive Office (CEO), and the Department of Public Works (Public Works) would identify equipment needs by first reviewing the existing MACC equipment for reuse in order to be cost-efficient. Since then, an inventory was completed and it was determined that approximately \$5,680,000 in equipment could be reused, including a Computed Tomography (CT) scanner.

It was also determined that the new MACC would require new equipment estimated at \$34,939,000. We are recommending that your Board increase the Project budget, by \$16,800,000, from \$150,286,000 to \$167,086,000, to include the costs associated with the procurement and installation of the fixed and major medical equipment.

Equipment Acquisition Plan

Of the \$34,939,000, total cost for MACC equipment, \$15,888,000 will be procured by Health Services outside of the Project budget. The remaining \$19,051,000 will be financed through the Project budget. Currently, McCarthy's contract and the previously

approved Project budget includes \$2,346,000 of the \$19,051,000 fixed equipment such as fume hoods, surgical lights and booms, surgical integrated camera systems, specialized casework, and scrub sinks.

The remaining \$16,800,000 includes \$8,700,000 in equipment that McCarthy will procure through their contract and \$8,005,000 in equipment that ISD will procure. An additional \$95,000 has been allocated for ISD to manage procurement of the fixed equipment.

McCarthy's Change Order

We are recommending that your Board approve a change order to add an allowance of \$8,700,000 to the design-build agreement for McCarthy to develop specifications, solicit bid proposals, and furnish and install the fixed equipment that is required to be installed during construction, and that the Director of Public Works be authorized to reallocate all or a portion of such allowance into the contract sum. In order to ensure that equipment is properly coordinated with the design of the building, including the provision of utilities and/or structural connections to the building, these items will be installed during the construction of the building to allow the design-builder to complete their work without interruption and obtain certificates of occupancy from appropriate regulatory agencies.

The equipment in this change order is currently not included in either McCarthy's contract or the Project budget. It includes the large fixed and major medical equipment, that are physically attached to the building, such as sterilizers, additional surgical lights, pharmaceutical refrigerators, general radiology units, mammography systems, one fluoroscopy unit, two ultrasound units, one breast ultrasound, two nuclear medicine units, and one stereotactic unit. All of these items are time sensitive to the design-build process.

On January 18, 2012, under delegated authority and approval of the CEO, Public Works issued a proceed order, for the amount not-to-exceed \$45,000 to McCarthy for development of solicitation specifications required to obtain fixed medical equipment bid proposals. This was done in an effort to ensure that there is no delay in the progress of the design-build process. McCarthy has issued the solicitation packages. Should your Board elect not to approve this change order to the McCarthy agreement, ISD can procure the equipment, use the solicitation specifications to rebid the vendors, and have the selected vendors furnish and install the fixed medical equipment.

ISD Equipment Procurement

Approval of the recommended actions will allow ISD to proceed with the acquisition of approximately \$8,005,000 of fixed equipment, which requires coordination with the

design-builder, but exceeds the 10 percent contract change order limits. Public Works will work with ISD to manage procurement of these pieces of equipment and coordinate installation with McCarthy. As part of revised Project budget, an additional \$95,000 has been allocated for ISD to manage procurement for the \$8,005,000 fixed equipment.

Board policy requires departments to obtain Board approval prior to ISD soliciting proposals or bids for the purchase of equipment if the unit cost of a piece of equipment exceeds \$250,000. One piece of medical equipment for the MLK MACC Project will exceed the \$250,000 unit cost limit; however, during the procurement process the equipment list may change and require purchasing other equipment that exceeds the limit. The piece of medical equipment that exceeds the unit cost limit is the Bone Density Scanner Unit, which is estimated to cost approximately \$500,000.

Green Building/Sustainable Design Program

The MLK MACC Project will support your Board's policy for Green Building/Sustainable Design Program. The new MACC Building will include sustainable design features for certification at a Silver or higher level under the United States Green Building Council Leadership in Energy and Environmental Design for new building construction, including, but not limited to, water and energy conservation features, addressing water run-off, enhancing indoor environmental quality by using low-gas emitting building materials, and providing daylight through much of the building.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs the provision of Operational Effectiveness (Goal 1); Children, Family, and Adult Well-Being (Goal 2); Community and Municipal Services (Goal 3); and Health and Mental Health (Goal 4), by investing in public health infrastructure to enhance the safety of patients and staff, and improving patient care with a new MACC facility. Completion of the Project will provide much needed improvements to the facility and meet the strategic goals to benefit the residents of the County.

FISCAL IMPACT/FINANCING

Health Services Operational Budget Impact

The total equipment budget is \$34,939,000, of which \$19,051,000 will be funded by the Project's budget and \$15,888,000 will be funded by Health Services through its operating budget beginning in Fiscal Year (FY) 2012-13. The Health Services purchases include \$1,172,000 from capital assets, \$10,360,000 in equipment to be

financed through the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL), and the remaining \$4,356,000 from services and supplies.

Funding for the \$15,888,000 in equipment will be requested by Health Services starting in FY 2012-13. The FY 2012-13 lease purchase costs are estimated at \$1,247,000. The projected LAC-CAL costs for the remaining years of financing will be requested as part of the budget process in future years.

Project Budget Impact

Equipment purchased by the County through the Project budget will be funded through a combination of short- and medium-term (5 through 10 years) bonds. As part of the revised Project budget, \$95,000 has been allocated for ISD to manage procurement of the fixed equipment.

Approval of this action will increase the Project budget, by \$16,800,000, from \$150,286,000 to \$167,086,000. As previously approved by your Board, the Project is currently funded through the issuance of tax-exempt commercial paper, but will ultimately be financed with proceeds from the issuance of long-term, tax exempt bonds.

The MLK MACC Project Schedule and Budget Summary are included in Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

McCarthy Change Order

Section 20137 of the Public Contract Code allows your Board, with a four-fifths vote, to authorize a change order to a construction contract that is 10 percent or less of the original contract amount without having to obtain bids for the work. The recommended change order in the not-to-exceed amount of \$8,700,000 represents 9.98 percent of the original contract sum.

ISD Equipment Procurement

Under the equipment procurement plan developed by Public Works, Health Services, ISD, and the CEO, each department will perform specific roles to ensure a successful integrated and coordinated procurement. The roles are as follows:

Roles of Public Works:

- Prepared the performance specifications for the equipment in collaboration with Health Services to ensure the specified equipment complies with the

Board-approved medical program and is coordinated with the building construction;

- Worked with Health Services in the review and investigation of existing equipment in the existing MACC for reuse in the new MACC to minimize cost impact to the County;
- Coordinate the procurement schedule with McCarthy and ISD to ensure equipment is procured in a timely manner;
- Review in cooperation with Health Services the proposals received by McCarthy and ISD to ensure conformance with the performance specifications; and
- Coordinate the selected vendors to obtain shop drawings and ensure delivery of the equipment in coordination with the construction of the Project.

Roles of CEO:

- Review each request for proposals/invitation for bids prior to ISD releasing the request for proposals/invitation for bids to provide financing terms and conditions in the solicitation;
- Approve all purchase orders upon selection of the vendor to ensure that the purchase order is within the allocated budget for the project; and
- Monitor the overall medical equipment budget.

Roles of ISD:

- Prepare each request for proposals/invitation for bids;
- Coordinate the procurement schedule with Public Works, Health Services, and McCarthy to ensure equipment is procured in a timely manner that would not delay the project;
- Ensure that each procurement is conducted in accordance with County policies and procedures;
- Manage the overall review of proposals and selection of vendors for the equipment they are responsible for procuring; and
- Issue the final purchase orders. Supplemental purchase orders determined to be required to resolve coordination issues between selected vendors and the construction contractors, as requested by Public Works, will be reviewed and approved by CEO and ISD.

Roles of Health Services:

- Reviewed and investigated equipment in the existing MACC that can be reused in the new MACC;
- Work with Public Works and ISD in preparation of the bid specifications;

- Work with Public Works, ISD, and McCarthy to help ensure equipment approval is made in a timely manner in order to not delay the Project;
- Work with ISD in the review and selection of the equipment vendors;
- Assist Public Works in coordination of the receipt of equipment; and
- Coordinate with Public Works and contractors to tag all equipment received, in accordance with Auditor-Controller guidelines.

As requested by your Board on August 12, 1997, and as a threshold requirement for consideration for award of agreements, the solicitations will require vendors to attest their willingness to consider Greater Avenues for Independence (GAIN) and General Relief Opportunities for Work (GROW) Programs, Board Policy No. 5.050. In addition, vendors must be in full compliance with Los Angeles County, Code Chapter 2.200 (Child Support Compliance Program), Chapter 2.203 (Contractor Employee Jury Service Program), and Safely Surrendered Baby Law.

ENVIRONMENTAL DOCUMENTATION

On October 11, 2011, your Board certified the Final Environmental Impact Report for the MLK Medical Center Campus Redevelopment Projects, Tiers I and II, and adopted the Mitigation Monitoring Program. The recommended actions are within the scope of the previously certified Final Environmental Impact Report.

CONTRACTING PROCESS

On October 11, 2011, your Board awarded a design-build contract to McCarthy for the MLK MACC Project. Upon approval and award of this change order, McCarthy will complete the equipment bid specifications and vendors will be invited to bid. All remaining funds resulting from favorable equipment bids will be credited back to the County in the form of a credit change order.

Working in cooperation with CEO, Public Works, and Health Services, ISD will solicit and purchase the required equipment in accordance with standard County purchasing policies and procedures.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be no impact on current County services or projects resulting from approval of the recommended actions. Patient care services in the existing MACC and the Hawkins Building will continue without interruption during construction.

CONCLUSION

Please return one adopted copy of this Board letter to the Chief Executive Office, Capital Projects Division; Department of Health Services, Capital Projects Division; Internal Services Department; and the Department of Public Works, Project Management Division I.

Respectfully submitted,



WILLIAM T. FUJIOKA
Chief Executive Officer

WTF:RLR:DJT
SW:TH:zu

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Health Services
Internal Services
Public Works

ATTACHMENT A

**DEPARTMENT OF PUBLIC WORKS:
MARTIN LUTHER KING, JR.
MULTI-SERVICE AMBULATORY CARE CENTER
APPROVE EQUIPMENT ACQUISITION PLAN,
REVISED BUDGET, AND CHANGE ORDER
SPECS. 7056; CAPITAL PROJECT NO. 70947**

I. PROJECT BUDGET SUMMARY

Project Activity	Board-Approved Completion Date
C.P. 70947	
NEW MACC AND SUPPORT SPACE	
Programming	09/18/2009*
Scoping Design	03/07/2011*
Award Design-Build	10/11/2011*
Jurisdictional Agency Approval	By Design-Builder
Construction Bid and Award (Design-Build)	N/A
Construction	
Substantial Completion	11/30/2013
Acceptance	05/30/2014
Building Occupancy	08/30/2014

* Indicates actual date.

II. PROJECT BUDGET SUMMARY MLK MACC AND MAKE-READY (C.P. 70947)

Budget Category	Previously Approved Budget	Impact of this Action	Current Project Budget
Land Acquisition	\$ 0	\$ 0	\$ 0
Construction			
Design-Build Maximum Contract Sum	\$ 94,000,000	\$ 8,700,000	\$102,700,000
Central Plant Cost (Under Hensel-Phelps)	25,166,000	0	25,166,000
Job Order Contract	3,820,000	0	3,820,000
Change Orders Contingency	2,976,000	0	2,976,000
Proposer Stipends	250,000	0	250,000
Builder's Risk Insurance	400,000	0	400,000
Telecomm Equipment - Affixed to Building	0	0	0
Civic Arts	900,000	100,000*	1,000,000
Subtotal	\$127,512,000	\$ 8,800,000	\$136,312,000
Equipment			
County Procured Capital Budget Medical Equipment	\$ 0	\$ 8,005,000	\$ 8,005,000
Plans and Specifications			
Architect/Engineer Fee	\$ 4,887,000	\$ 0	\$ 4,887,000
Design Contingency	150,000	0	150,000
Subtotal	\$ 5,037,000	\$ 0	\$ 5,037,000
Consultant Services			
Site Planning	\$ 0	\$ 0	\$ 0
Hazardous Materials	135,000	0	135,000
Geotech/Soils Report and Soils Testing	135,000	0	135,000
Material Testing	850,000	0	850,000
Peer Review Services	255,000	0	255,000
Inspection Services	210,000	0	210,000
Topographic Surveys	0	0	0
Construction Management	4,992,000	0	4,992,000
Document and Project Controls	1,750,000	0	1,750,000
Labor/Outreach/Local Worker Hiring Program	425,000	0	425,000
Environmental	743,000	0	743,000
Civic Arts	100,000	(100,000)*	0
Job Order Contract Management	70,000	0	70,000
Move Management (Move Manager Only)	0	0	0
Equipment Planning	0	0	0
Consultant Contingency	750,000	0	750,000
Subtotal	\$ 10,415,000	(\$ 100,000)	\$ 10,315,000
Miscellaneous Expenditures	\$ 210,000	\$ 0	\$ 210,000
Jurisdictional Review/Plan Check/Permit	\$ 180,000	\$ 0	\$ 180,000
County Services			
Code Compliance Inspection	\$ 1,478,000	\$ 0	\$ 1,478,000
Quality Control Inspection	0	0	0
Design Review	51,000	0	51,000
Design Services	0	0	0
Contract Administration	211,000	0	211,000
Project Management	2,970,000	0	2,970,000
Project Management Support Services	1,560,000	0	1,560,000
ISD Equipment Procurement Management	0	\$95,000	95,000
DPW Job Order Contract Management	42,000	0	42,000
ISD ITS Communications	620,000	0	620,000
Project Technical Support	0	0	0
Office of Affirmative Action	0	0	0
County Counsel	0	0	0
Other - GMED	0	0	0
Other - Contract Management - LWHP	0	0	0
Subtotal	\$ 6,932,000	\$ 95,000	\$ 7,027,000
TOTAL	\$150,286,000	\$16,800,000	\$167,086,000

*In the October 11, 2011, \$100,000 identified for the art consultant was inadvertently reallocated to the Consultant Services budget category. This revision is a correction to that error to reflect the total Civic Arts budget as \$1,000,000.